

FISCAL NOTE

HB 1750 - SB 1877

May 4, 2001

SUMMARY OF BILL:

1. requires the southeastern regional average instructional staff salary for the previous year to serve as the BEP component for teacher salaries and authorizes LEAs to supplement teacher salaries from its own funds subject to the following:
 - the maximum local salary supplement payable above any cell of the state schedule in the 2002 school year must be equal to the difference between the local salary schedule with the highest 2001 salary for a doctoral degree with 15 years experience and the equivalent position in the state schedule. For LEAs that include more than 15 years experience in their local salary schedules, the maximum local salary supplement payable in the 2002 school year shall increase by no more than \$900 for each additional year of experience; and
 - in the 2003 school year and subsequent years, the maximum local salary supplement must be reduced by the value of increases in the state schedule.
2. requires annual updating of the state schedule and the limit on local supplements according to a cost index to be prepared by TACIR and approved by the State Board of Education.
3. changes the state contribution from 75% of funds generated by the BEP formula in the classroom and 50% of the non-classroom components to 100% of the instructional salary component. The local contribution would be 100% of the remaining classroom components and 100% of the non-classroom components. The bill deletes present law that requires state contributions to equalize teacher compensation in LEAs whose instructional salaries and employer-funded insurance contributions do not equal \$28,094 per instructional position.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - Net Impact - \$238,500,000

**Increase Local Govt. Expenditures* - Net Impact - Between \$16,400,000
and \$35,100,000**

Estimate assumes:

State Expenditures

- the state will provide 100% of the salary component while relinquishing the non-salary portions of the classroom component to the LEAs. The state will also increase the BEP generated salary to a Southeast average instructional salary in 2000-01 of \$35,346. As a result, the state will increase its expenditure, and the amount of money being sent to LEAs, by a net of \$250,400,000.

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- By deleting TCA 49-3-366 (funds for teachers' salary equity), state expenditures will decrease by \$11,900,000 and local government revenues will decrease by a corresponding amount.
- *Therefore, the net impact on state expenditures is an increase of \$238,500,000 (\$250,400,000 - \$11,900,000).*

Local Expenditures

- LEAs will assume the entire responsibility for the non-classroom components as well as the non-salary classroom components. Therefore, the local BEP requirement will increase by \$401,400,000.
- As a result of the increase in the state minimum salary schedule, it is assumed LEAs will be required to increase the salaries of non-BEP instructional positions as well as BEP instructional positions. As a result, LEAs will be required to spend approximately \$33,000,000 more on the salaries of non-BEP positions.
- By deleting TCA 49-3-366 (funds for teachers' salary equity), the local match requirement will be reduced by \$1,700,000.
- Assuming new state dollars could be used to offset existing local salary supplements, thereby freeing up local money for other education purposes, the shift in the local BEP share (from local to state) could potentially offset local salary supplements by an estimated range of \$159,100,000 and \$177,800,000.
- Impact to the LEAs will vary widely. Some school systems will gain, while other school systems will lose.
- *Therefore, the net impact on local governments is estimated to be a potential increase in local government expenditures of between \$16,400,000 and \$35,100,000 which recognizes an estimated \$238,500,000 sent to the LEA's by the state.*

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director